REAL ESTATE ANALYSTS INC.

The Real Estate ANALYST

NOVEMBER 30
1942

Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends....Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies.....Surveys....Forecasts

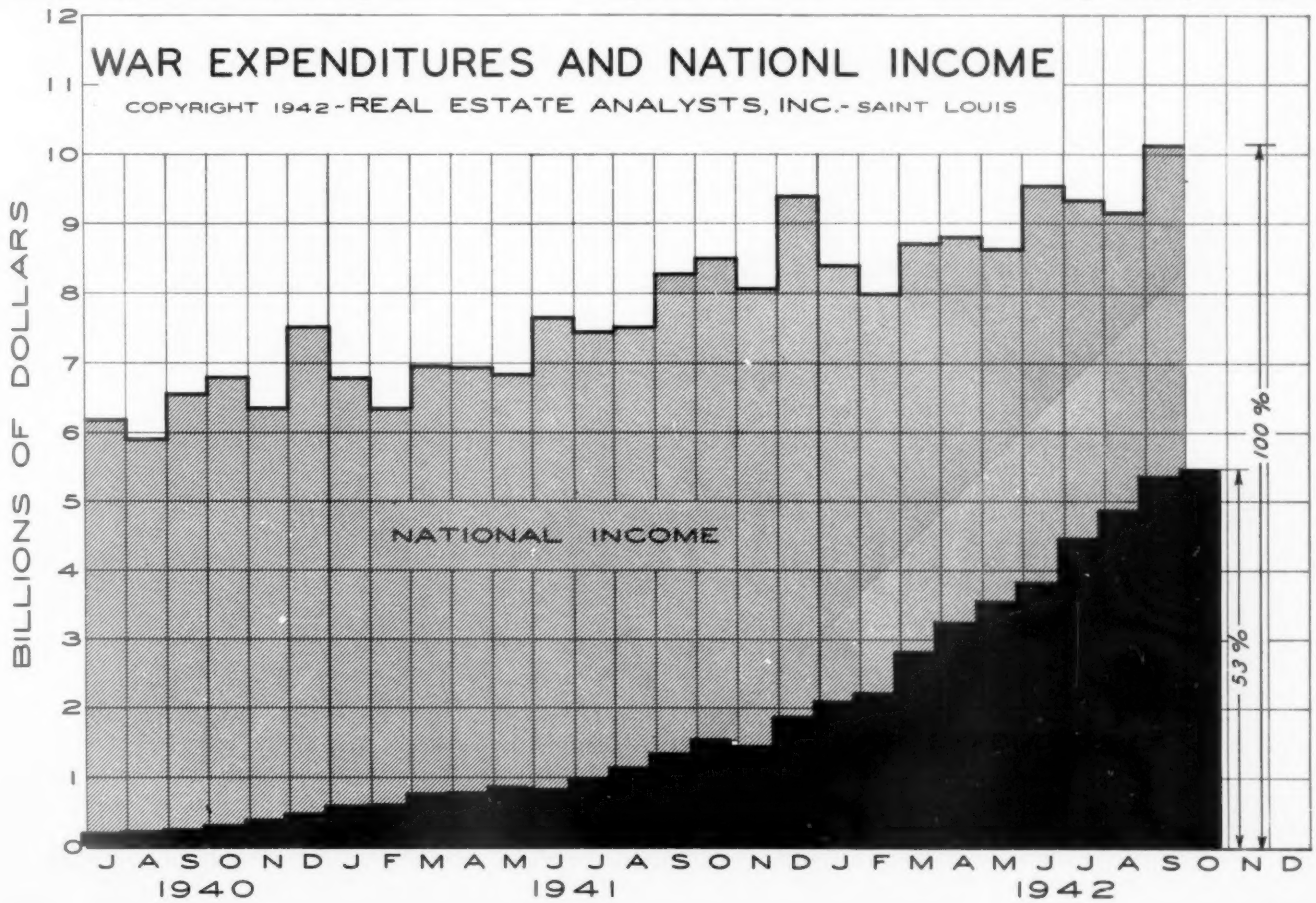
VOLUME XI

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

WAR EXPENDITURES AND NATIONAL INCOME

THE dollar cost of the war is mounting to astronomical levels. It is now taking 53% of our national income, with no indication that the rise is halting either on a dollar or on a percentage basis. The chart below shows the national income in contrast with our war expenditures.

Unless the Government can recapture the greater part of its war expenditures, either in higher taxes or by bond sales to the public, more money will be available for the purchase of civilian goods and services than there are goods and services for sale. In a free market this results in prices and wages rising until their cost equals the amounts available to buy them. However, in a price-controlled market these rises are impossible. Unless goods are rationed this merely increases the pressure of demand as now a large number of people are trying to buy a totally insufficient amount of merchandise. As soon as rationing starts, however, ration coupons assume much of the importance which dollars formerly had. The surplus dollars will now attempt to purchase



unrationed goods, will turn to the black market, or will be used on various types of investments. Some of them will undoubtedly be used for the purchase of real estate.

During October actual war expenditures reached a new high of $5,480 million for the month. This is more than equivalent to the total wealth of the state of Minnesota.

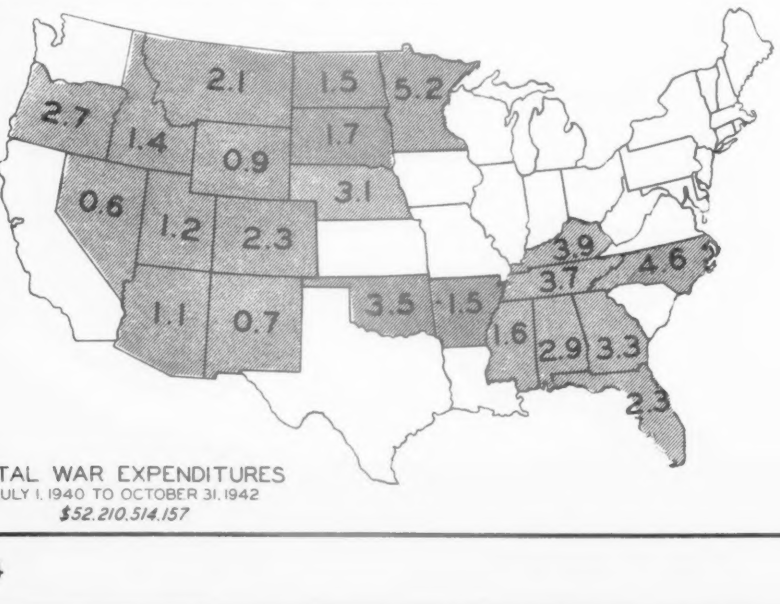
On the map below we have attempted to visualize the dollar amounts of actual war expenditures from July 1, 1940, through October 1942. These expenditures have been equal to the estimated total wealth of the following twenty-two states: Oregon, Nevada, Idaho, Montana, Utah, Arizona, Wyoming, Colorado, New Mexico, North Dakota, South Dakota, Nebraska, Oklahoma, Arkansas, Minnesota, Kentucky, Tennessee, North Carolina, Mississippi, Alabama, Georgia and Florida. The large figures on each state show the estimated wealth of that state in billions of dollars.

We are not raising a large enough amount of the cost of the war by taxation and bond sales to the general public. If we continue a program of borrowing from the commercial banks to finance our present war we cannot avoid inflation. If we are to avoid it we must pay for a larger part of the war out of current earnings.

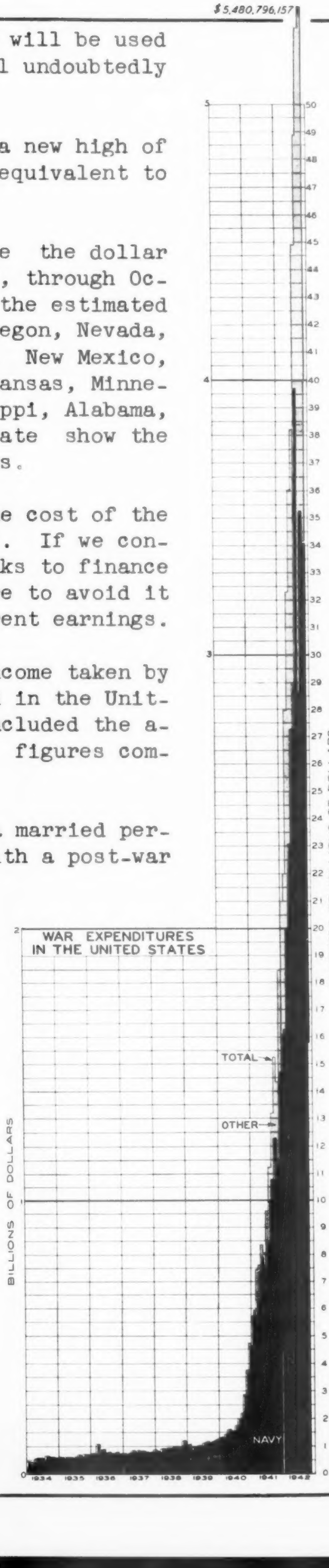
The chart opposite shows the percentage of income taken by the government in the United Kingdom, in Canada, and in the United States. In the United States figure we have included the amount taken by New York State in order to make the figures comparable to the English and Canadian figures.

It will be noticed that in the United Kingdom a married person making $2000 per year pays 25% of his income, with a post-war credit on a portion of the tax. In Canada the tax is approximately 22%, with a post-war credit. In the United States with our new tax law the tax is approximately 2%.

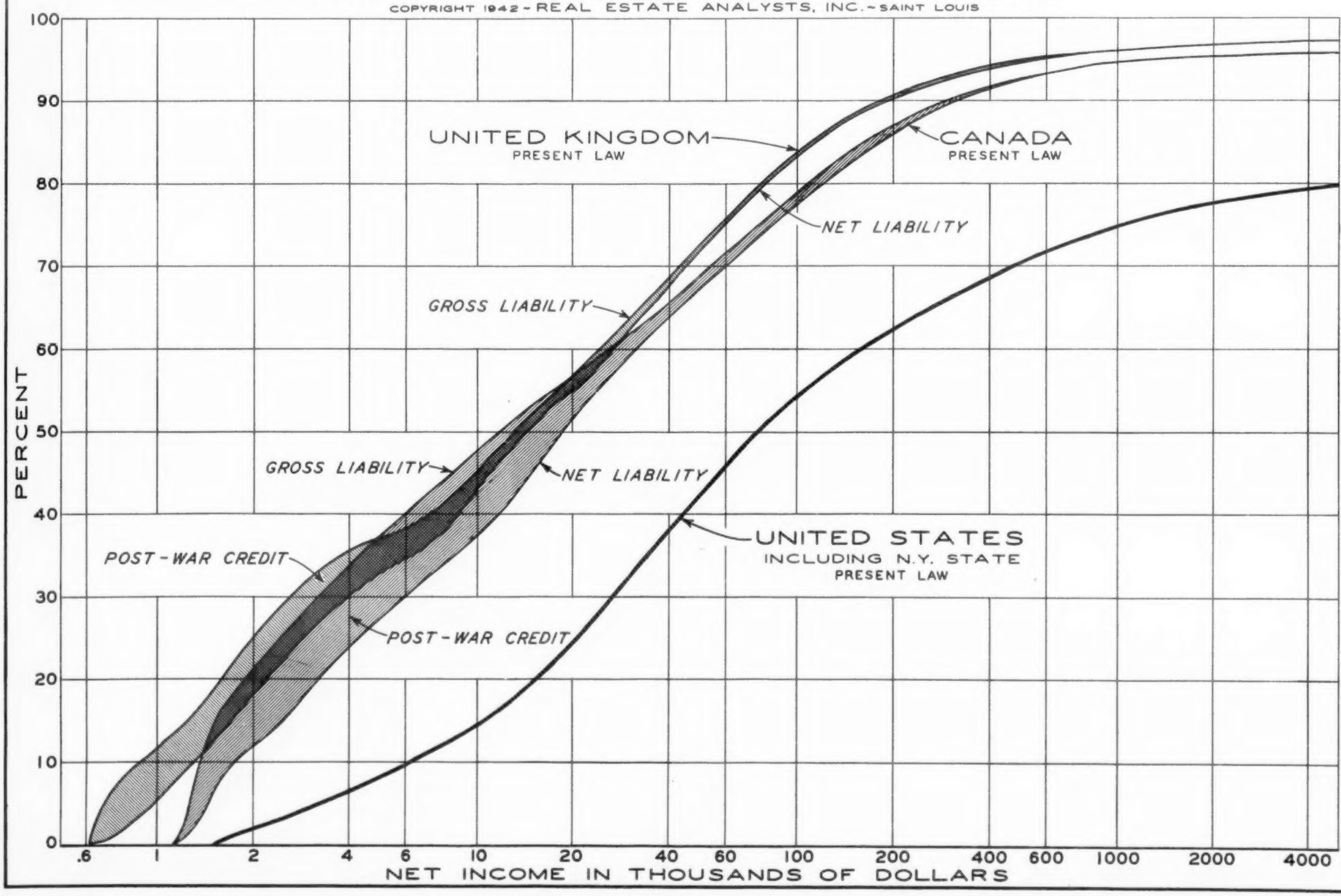
Unless taxes take a larger percentage of income, particularly in the lower-income groups, inflation cannot be avoided.



TOTAL WAR EXPENDITURES
JULY 1, 1940 TO OCTOBER 31, 1942
$52,210,514,157

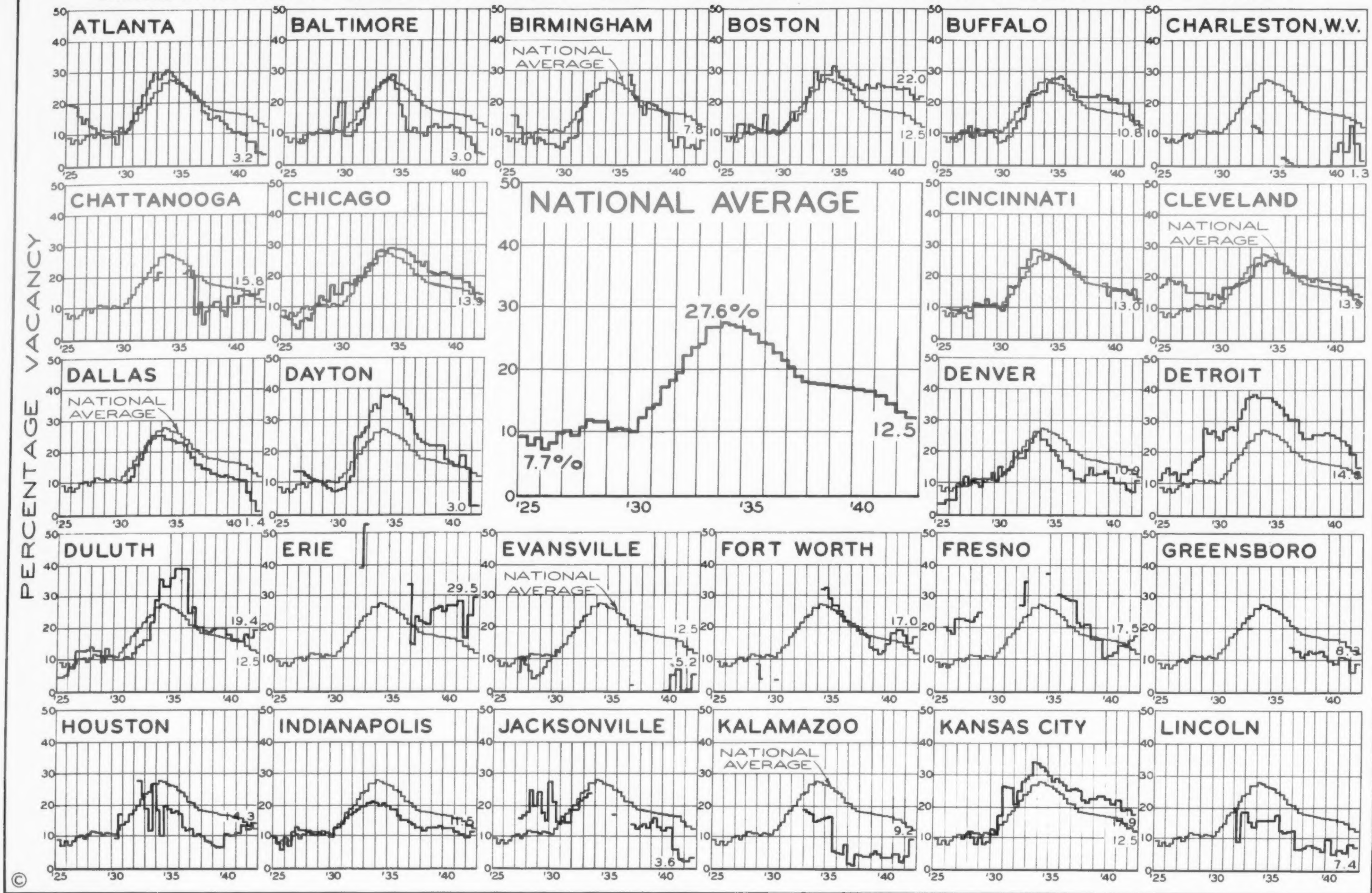


INDIVIDUAL INCOME TAX
UNITED STATES, UNITED KINGDOM. AND CANADA
EFFECTIVE RATES FOR MARRIED PERSONS WITHOUT DEPENDENTS



OFFICE BUILDING VACANCY IN PRINCIPAL CITIES

CHARTED BY REAL ESTATE ANALYSTS, INC. FROM DATA FURNISHED BY THE NATIONAL ASSOCIATION OF BUILDING OWNERS & MANAGERS



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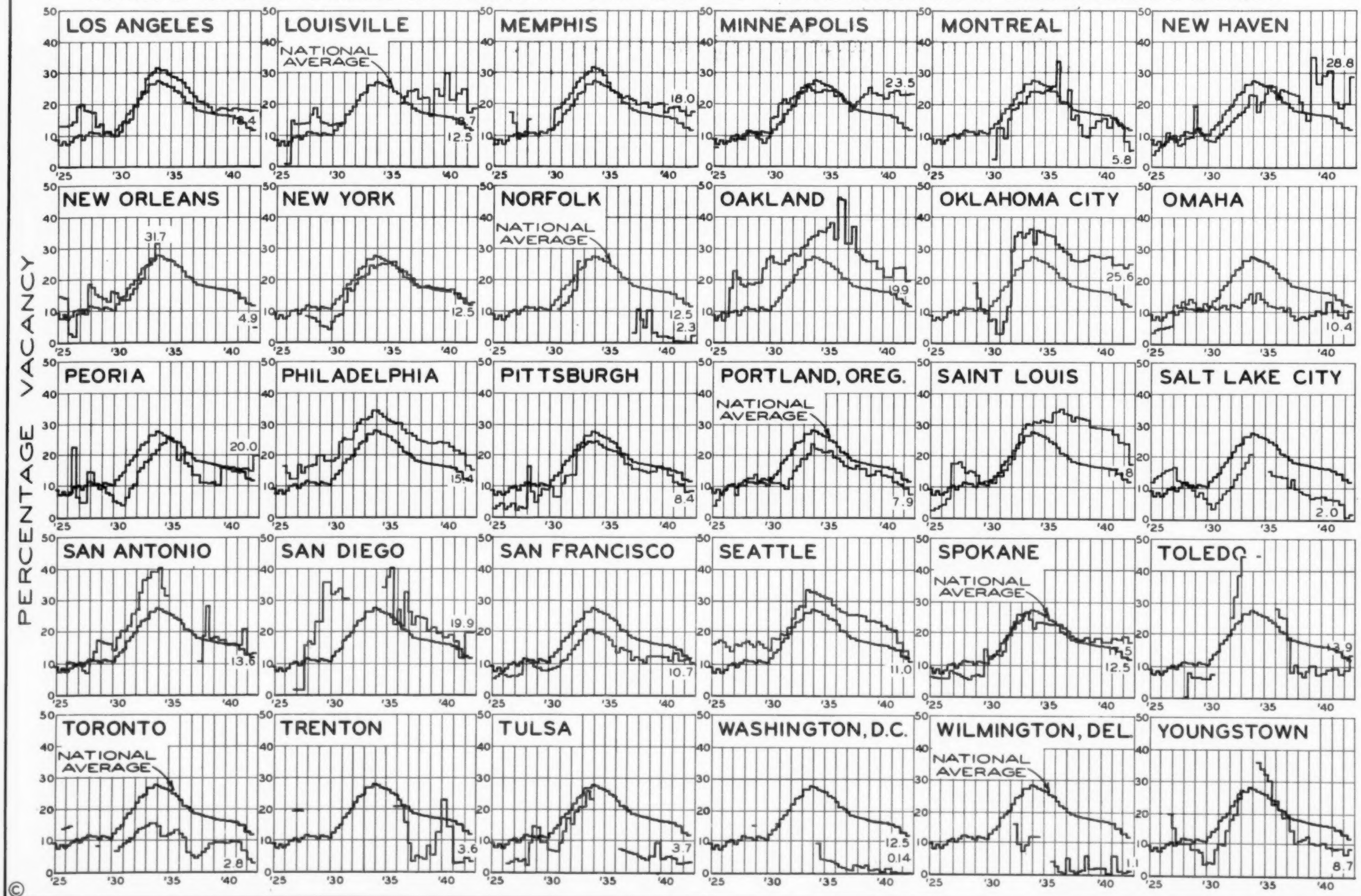


MIGRATIONS OF DEFENSE WORKERS

THE Census has just released the new estimates of population by states as of May 1, 1942. These estimates are based mainly on the number of persons registering for War Ration Book No. 1 (sugar) on May 4 - 7, 1942. An allowance was made for the institutional population, a civilian group that was not required to register.

It was possible to check the figures from the ration books for the country as a whole through the excess of births over deaths, the net immigration of civilians, and the inductions and enlistments into the armed forces. The total civilian population numbered about 131,315,000 on May 1, 1942 in comparison with 131,323,000 at the last census on April 1, 1940. The total population of the United States increased during this period, but the civilian population did not.

The map and table to the right are more or less self-explanatory. On the map the net change in civilian population in each state is shown by the black or the red dots. Each black dot indicates a net increase in civilian population of 5,000 people; each red dot indicates a net decrease of 5,000 people.

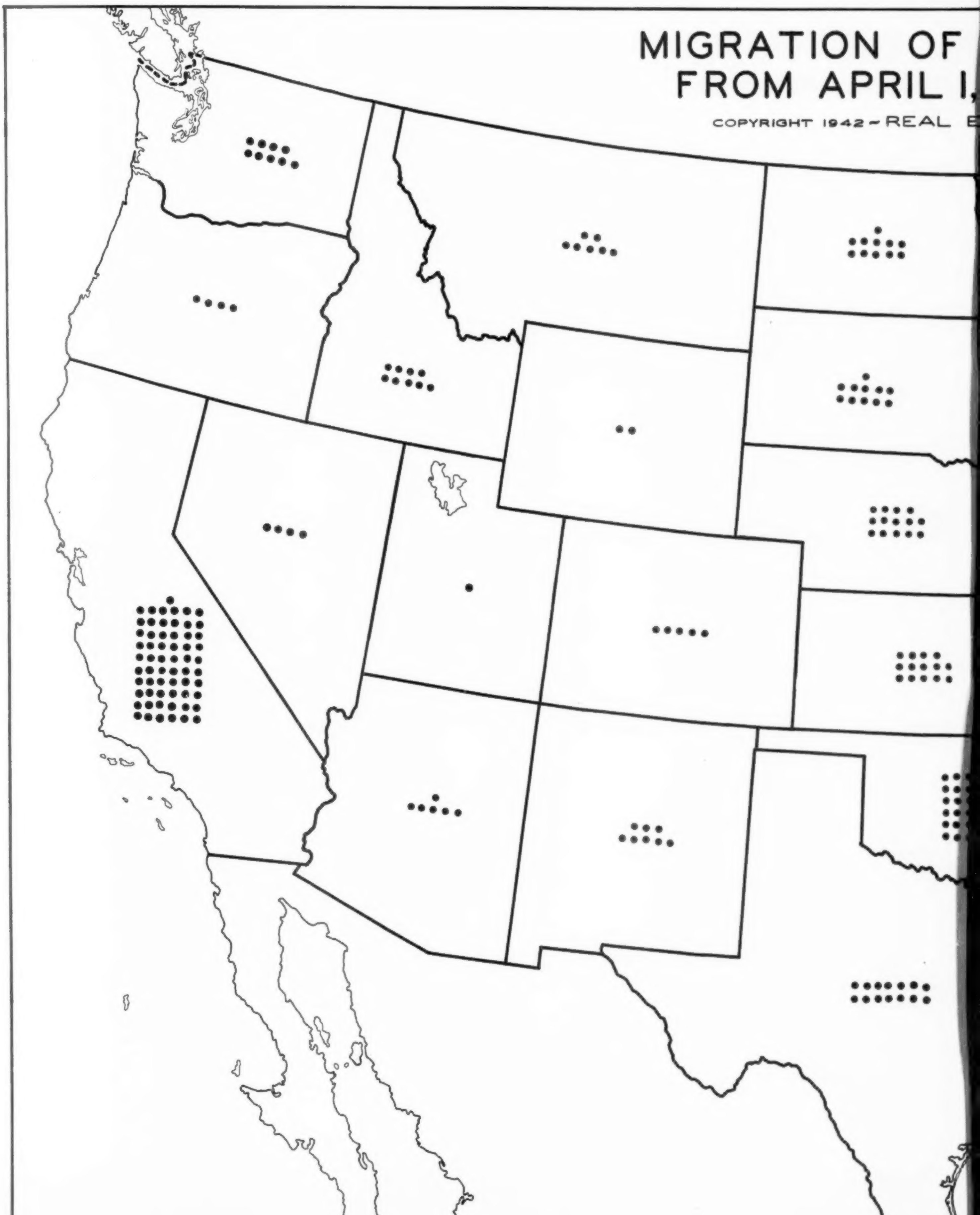
The largest decrease experienced by any state in the two-year period was the 505,586 loss in New York State; the largest increase in population was shown by Michigan, with 311,592. California was a close second, with 302,856. On a percentage basis the largest decrease of any state was experienced by Idaho, which lost 8.7% of its population in the two-year period. The largest increases were experienced by the District of Columbia, with 24.9% gain, Nevada with a 17% increase, and Michigan with an increase of 5.9%.

The problem from the real estate standpoint in these migrations is twofold: (1) the immediate effect; and (2) the post-war result.

It is undoubtedly true that many of the people leaving the states which have had the greatest losses have come from farms and smaller communities because of the increased economic opportunities in defense cities. The migrations have affected real estate values in the places which have lost population as well as in those which have gained.

There can be no question of the fact that the effects of this migration will continue during the war, but it seems probable that if the war lasts for another year or two many of the migrants will remain in the new communities. These new communities in most cases contain the most modern industrial plants available in the United States. As industry swings back after the war to the manufacturing of civilian goods it will be found that many of the newer plants will be able to outbid those with older and more obsolete equipment. We think, for instance, that a great deal of the population gain in Michigan and California is a permanent gain, and on the other hand that the population losses in New York, Pennsylvania, Oklahoma, and similar states are more or less permanent losses.

Were the war to end suddenly, however, in the early part of 1943, the chances are that many of the migrants would move back to their original locations. That the war will end so soon we do not think probable, in spite of the statement of Jim Farley in this morning's paper to the contrary.


MIGRATION OF
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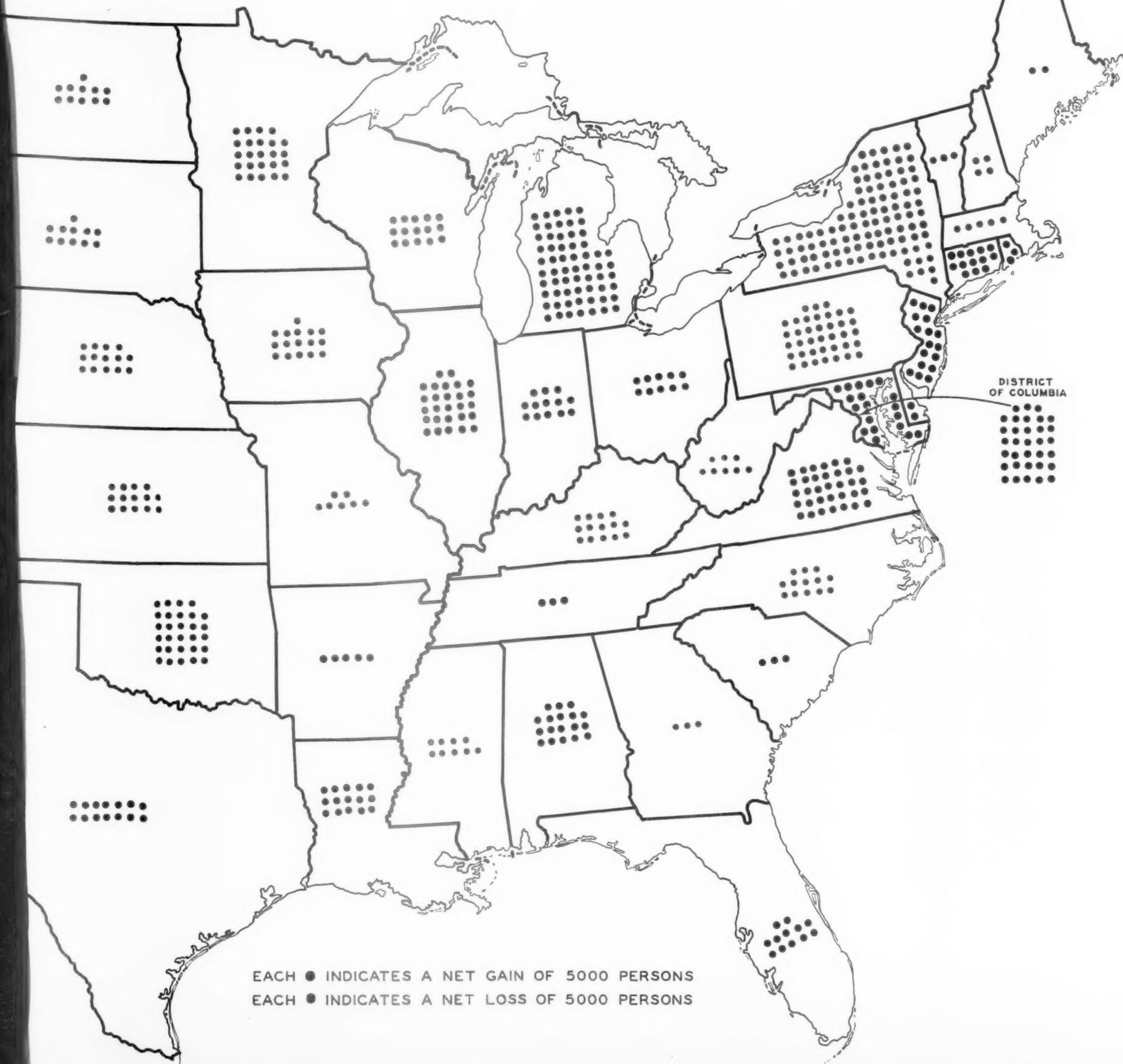
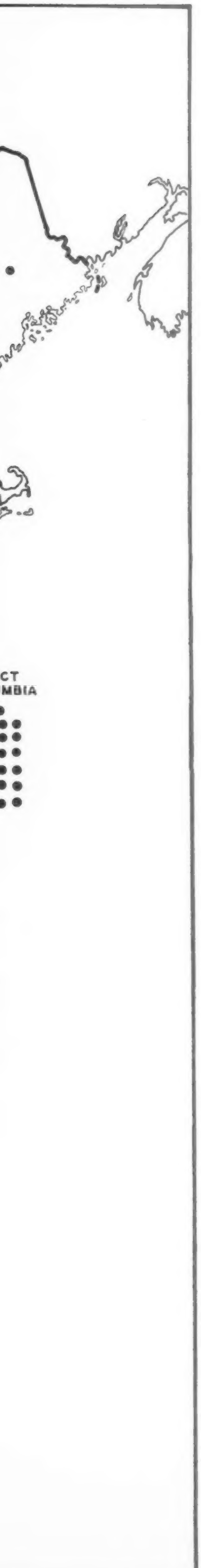
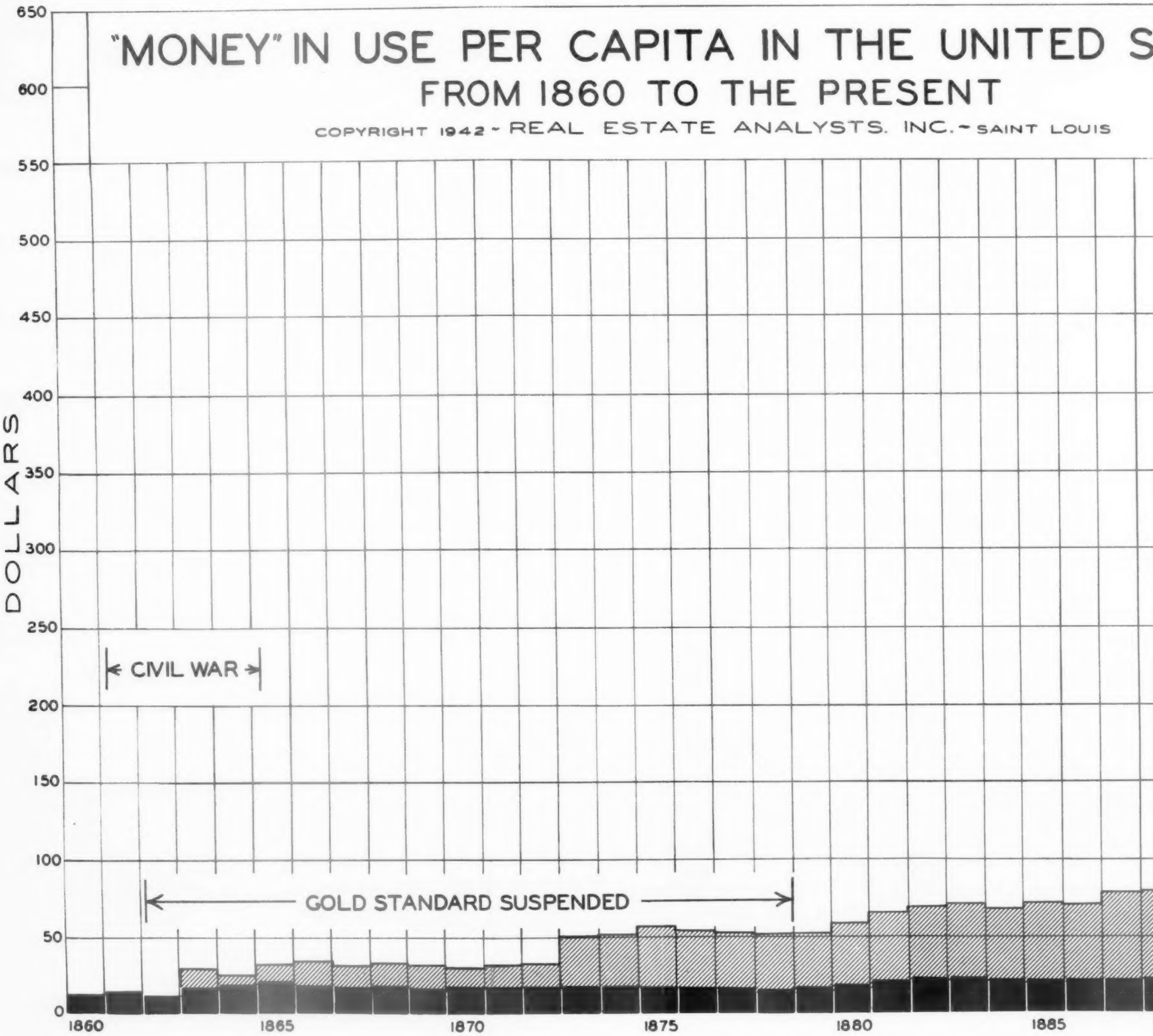
TION OF CIVILIAN POPULATION
APRIL 1, 1940 TO MAY 1, 1942





PRELIMINARY ESTIMATES OF THE CIVILIAN POPULATION OF CONTINENTAL UNITED STATES BY STATES: MAY 1, 1942, WITH COMPARATIVE FIGURES FOR APRIL 1, 1940

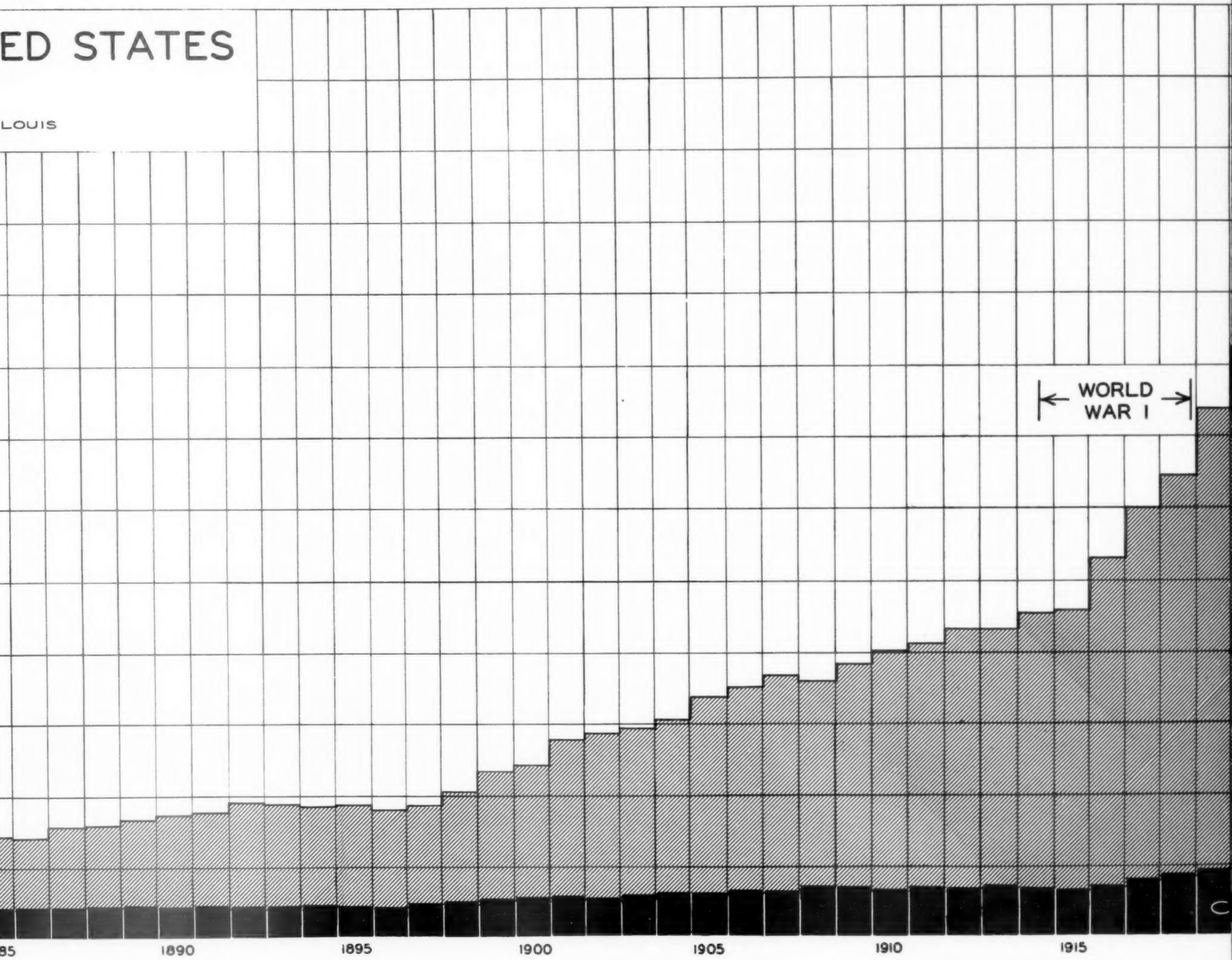
Division and State	Estimated civilian population May 1, 1942	Total population April 1, 1940	Estimated civilian population April 1, 1940	Estimated increase in the civilian population between April 1, 1940 and May 1, 1942	
				Number	Percent
United States	131,315,393	131,669,275	131,323,136	-7,743	-
GEOGRAPHIC DIVISIONS:					
New England	8,439,148	8,437,290	8,420,638	18,510	0.2
Middle Atlantic	26,887,461	27,539,487	27,495,694	-608,233	-2.2
East North Central	27,087,748	26,626,342	26,597,906	489,842	1.8
West North Central	13,018,130	13,516,990	13,498,723	-480,593	-3.6
South Atlantic	18,096,660	17,823,151	17,703,875	392,785	2.2
East South Central	10,750,984	10,778,225	10,758,306	7,322	-0.1
West South Central	13,055,954	13,064.525	13,032,258	23,696	0.2
Mountain	3,966,575	4,150,003	4,130,003	-164,375	-4.0
Pacific	10,012,733	9,733,262	9,684,786	327,947	3.4
NEW ENGLAND:					
Maine	835,164	847,226	842,622	-7,458	-0.9
New Hampshire	472,731	491,524	491,308	-18,577	-3.8
Vermont	344,061	359,231	356,701	-12,640	-3.5
Massachusetts	4,290,194	4,316,721	4,316,669	-26,475	-0.6
Rhode Island	723,897	713,346	706,772	17,125	2.4
Connecticut	1,773,101	1,709,242	1,706,566	66,535	3.9
MIDDLE ATLANTIC:					
New York	12,929,781	13,479,142	13,435,367	-505,586	-3.8
New Jersey	4,245,062	4,160,165	4,160,153	84,909	2.0
Pennsylvania	9,712,618	9,900,180	9,900,174	-187,556	-1.9
EAST NORTH CENTRAL:					
Ohio	6,959,627	6,907,612	6,907,532	52,095	0.8
Indiana	3,493,515	3,427,796	3,427,792	65,723	1.9
Illinois	8,008,067	7,897,241	7,875,107	132,960	1.7
Michigan	5,562,183	5,256,106	5,250,591	311,592	5.9
Wisconsin	3,064,356	3,137,587	3,136,884	-72,528	-2.3
WEST NORTH CENTRAL:					
Minnesota	2,667,916	2,792,300	2,787,593	-119,677	-4.3
Iowa	2,455,132	2,538,268	2,536,432	-81,300	-3.2
Missouri	3,750,257	3,784,664	3,783,210	-32,953	-0.9
North Dakota	588,539	641,935	641,706	-53,167	-8.3
South Dakota	589,967	642,961	642,561	-52,594	-8.2
Nebraska	1,241,143	1,315,834	1,312,851	-71,708	-5.5
Kansas	1,725,176	1,801,028	1,794,370	-69,194	-3.9
SOUTH ATLANTIC:					
Delaware	276,633	266,505	265,125	11,508	4.3
Maryland	1,903,282	1,821,244	1,808,745	94,537	5.2
District of Columbia	821,299	663,091	657,619	163,680	24.9
Virginia	2,803,861	2,677,773	2,636,049	167,812	6.4
West Virginia	1,863,402	1,901,974	1,901,607	-38,205	-2.0
North Carolina	3,493,047	3,571,623	3,560,453	-67,406	-1.9
South Carolina	1,904,418	1,899,804	1,889,662	14,756	0.8
Georgia	3,081,632	3,123,723	3,096,424	-14,792	-0.5
Florida	1,949,086	1,897,414	1,888,191	60,895	3.2
EAST SOUTH CENTRAL:					
Kentucky	2,762,483	2,845,627	2,831,871	-69,388	-2.5
Tennessee	2,932,235	2,915,841	2,915,825	16,410	0.6
Alabama	2,917,707	2,832,961	2,827,232	90,475	3.2
Mississippi	2,138,559	2,183,796	2,183,378	-44,819	-2.1
WEST SOUTH CENTRAL:					
Arkansas	1,973,033	1,949,387	1,947,729	25,304	1.3
Louisiana	2,435,364	2,363,880	2,358,256	77,108	3.3
Oklahoma	2,180,545	2,336,434	2,326,865	-146,320	-6.3
Texas	6,467,012	6,414,824	6,399,408	67,604	1.1
MOUNTAIN:					
Montana	523,825	559,456	557,728	-33,903	-6.1
Idaho	478,969	524,873	524,778	-45,809	-8.7
Wyoming	232,864	250,742	242,332	-9,468	-3.9
Colorado	1,093,569	1,123,296	1,117,433	-23,864	-2.1
New Mexico	489,872	531,818	531,723	-41,851	-7.9
Arizona	464,725	499,261	496,987	-32,262	-6.5
Utah	554,054	550,310	549,980	4,074	0.7
Nevada	128,697	110,247	109,989	18,708	17.0
PACIFIC:					
Washington	1,755,784	1,736,191	1,712,120	43,664	2.6
Oregon	1,069,069	1,089,684	1,087,642	-18,573	-1.7
California	7,187,880	6,907,387	6,885,024	302,856	4.4



THE chart above shows the amount of "usable money" in the United States from 1860 to the present. By "usable money" we mean currency in circulation plus bank credit, which most of us use far more frequently than actual currency in handling our receipts and expenditures.

While currency in circulation per capita increased more than five times from 1870 to 1942, (half of the increase in the last eight years), bank credit per capita increased more than twelve times. In 1870 our total usable money per capita was approximately \$61; in 1942 it totals about \$621. Why this tremendous increase in circulating "money" over the long period? There are apparently three reasons:

1. In 1870 commercial life was not so highly organized as it is at present. A large part of our population was living on farms, where the home was to a large extent a self-contained unit, making and consuming its own foodstuffs, clothing



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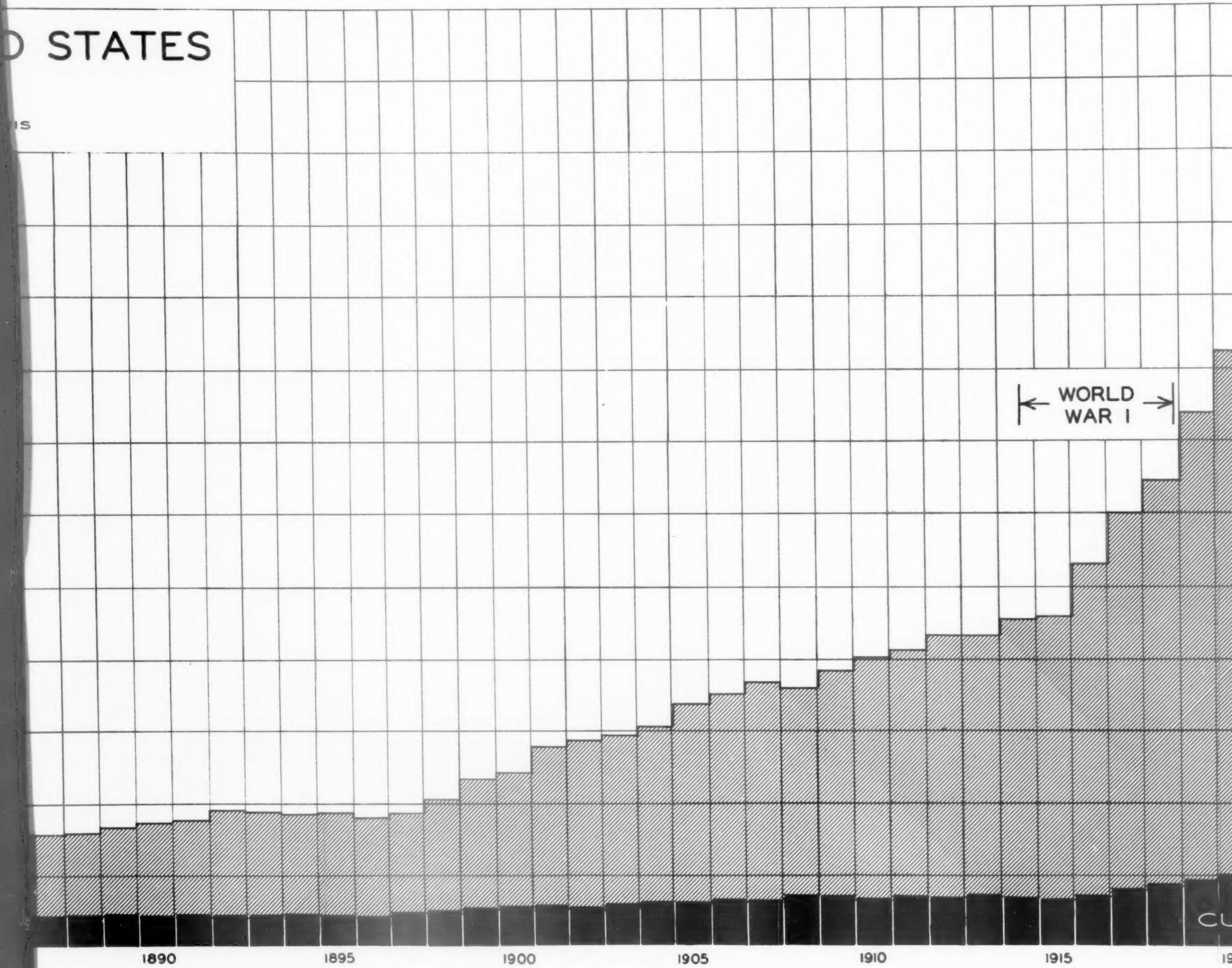
and fuel. Very little money was required under this sort of an economic structure. Total production in the United States was relatively low in this period, and accordingly little credit was needed.

2. The difference in price levels in the last twenty years and in the period preceding the Civil War is quite great. In 1928 the cost of living in the United States was 90% higher than it was in 1870. Were all other conditions exactly equal in both years, it would have taken 90% more money or bank credit to take care of the same transactions in 1928.

3. The rapid rise since 1940 is due to war expenditures. It will be noticed, however, that the rise started in 1933 at the time of the revaluation of the dollar and of the adoption of other inflationary measures by the New Deal.

As usable money increased as shown on this chart, the rate of turnover or



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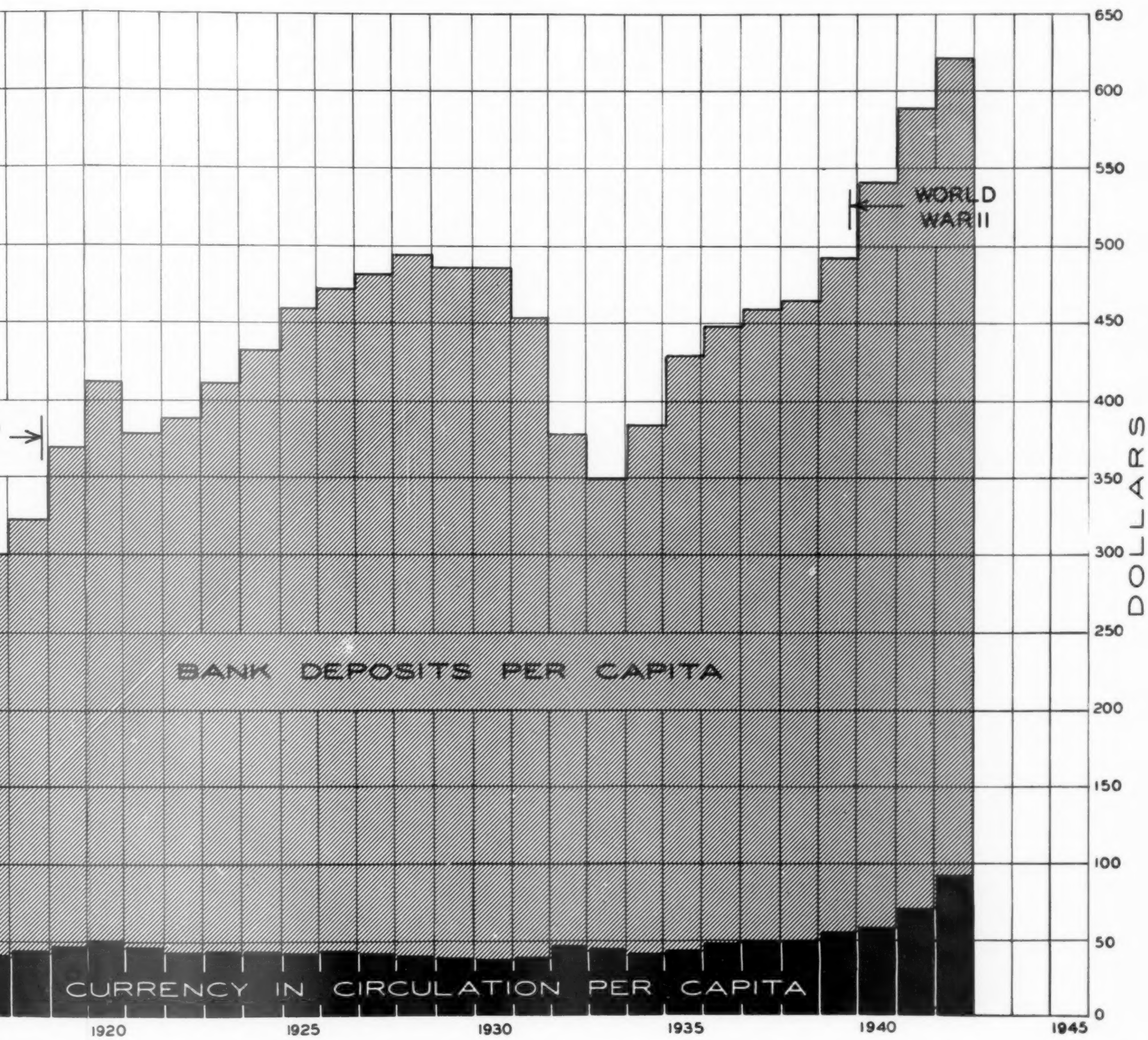


velocity as it is generally called decreased. The velocity of turnover of bank deposits depends largely on confidence which has been lacking among those who control a large part of the usable money. If the average velocity returned to the levels of the twenties, the amount of money and credit now available would tend to bring about a price level several times as high as the one we had then. This would be followed by an inflation of real estate values. Professor Kemmerer of Princeton points out that velocities in 1942 have been slightly higher than they were in the corresponding months of 1941. He thinks that they "may be expected to increase for a while in the future as confidence is built up under the stimulus of our vigorous war-production program." We are of the opinion that the threat of serious inflation is not being given sufficient weight. Every precaution should be used. Taxes on incomes should be higher. Compulsory savings should be resorted to immediately. Everything should be done which will siphon off the excess income of the American people until spendable income is brought down to the level of consumption goods available for civilian use.

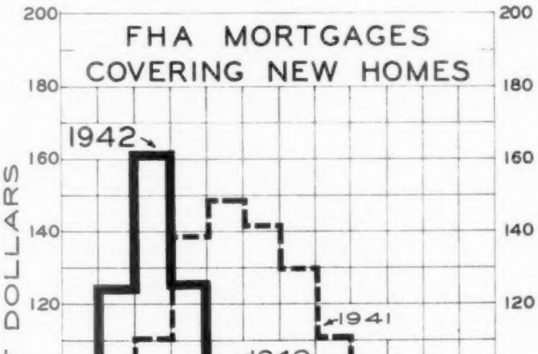
BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN SAINT LOUIS

The chart on p. 312 of the Sept. 1942 Real Estate Analyst shows the variations in the costs of materials, labor and overhead for a six room frame residence in St. Louis. Floor plans and a picture of the house are shown with the chart. Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are printed in black; the corresponding labor items are given in red. Overhead items - columns 13, 14 and 15 - are also printed in black.

*No labor items are shown in column 10, Building Hardware, as they have already been included in column 5, Mill Work.

Group A:
(1) Mason Materials: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining. Labor.
(2) Tile Materials: 4½ x 4½ wall tile, ceramic floor tile, cap and base. Labor.
Group B:
(3) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc. Labor.
(4) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, tar paper, shutters, etc. Labor.
(5) Mill Work: Windows, doors, trim, kitchen cabinet, stairs. Labor.
Group C:
(6) Heating: Boiler, insulating jackets, fittings, tools, pipes, connections, valves and radiation. Labor.
(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others. Labor.
Group D:
(8) Sheet Metal: Galv. iron gutters, downspouts, flashing. Labor.
(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included. Labor.
(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware.
(11) Paint Materials: White lead, linseed oil, turpentine. Labor.
(12) Misc.: Metal & wood laths, corner bead, insulation. Labor.
Group E:
(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.
(14) General contractor's profit.
(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (federal and state), liability and employees' compensation insurance, fire and tornado insurance, completion bond.
(16) TOTAL CONSTRUCTION COST.

	GROUP A				GROUP B						GROUP C				GROUP D									GROUP E			TOTAL
YEAR	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)		(9)		(10)	(11)		(12)		(13)	(14)	(15)	(16)
Jl 1939	$516	$561	$103	$77	$346	$164	$639	$219	$508	$198	$239	$160	$271	$131	$46	$19	$26	$57	$64 *	$29	$116	$191	$61	$346	$507	$329	$5923
O 1939	510	561	103	77	395	164	713	219	509	198	239	160	285	131	52	19	29	57	65	30	116	193	61	353	522	335	6096
Ja 1940	510	538	103	77	374	158	679	215	567	195	236	160	282	131	58	17	32	57	65	30	93	193	61	352	516	327	6005
Ap 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	352	516	327	6004
Jl 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	352	516	327	6004
O 1940	510	542	145	86	494	162	763	218	628	197	254	160	294	161	63	17	31	57	66	32	93	203	75	385	564	351	6551
Ja 1941	515	640	145	86	493	182	808	243	645	219	242	160	266	161	62	19	28	58	67	33	104	203	78	380	585	375	6797
Ap 1941	487	639	159	86	463	182	771	243	633	219	251	180	274	149	62	19	28	63	69	33	131	202	79	396	581	376	6775
Jl 1941	510	650	159	86	553	220	802	279	635	252	250	180	274	149	90	19	27	63	72	34	131	220	79	396	613	397	7142
O 1941	514	678	159	86	544	226	861	303	689	274	262	200	289	187	106	29	34	72	80	35	145	227	79	433	650	422	7584
Ja 1942	514	696	175	86	536	231	854	305	689	275	262	200	314	187	64	29	48	72	79	35	145	229	81	431	653	423	7617
F 1942	514	696	175	86	540	231	868	305	715	275	262	200	324	187	64	29	49	72	79	37	145	229	81	433	660	424	7682
Mr 1942	520	696	175	86	540	231	874	305	715	275	262	200	323	187	64	29	49	72	79	38	145	229	81	433	661	424	7695
Ap 1942	520	696	175	86	547	231	876	305	715	275	273	200	317	187	64	29	50	72	79	38	145	229	81	433	663	424	7712
My 1942	520	709	175	86	540	233	874	307	715	276	273	200	317	198	72	29	50	86	79	38	145	229	81	442	668	428	7772
Je 1942	520	696	175	86	540	233	874	307	715	276	273	200	317	198	72	29	50	86	79	38	145	229	75	436	668	428	7747
Jl 1942	520	696	175	86	540	233	874	307	715	276	273	200	317	198	72	29	50	86	79	38	145	229	75	436	668	428	7747
Ag 1942	520	696	175	86	547	233	884	307	715	276	273	200	317	198	56	29	50	86	79	38	145	229	75	436	668	428	7746
Sp 1942	520	668	162	86	547	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	419	638	402	7434
O 1942	520	668	162	86	558	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	419	639	402	7445
N 1942	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	419	639	402	7437



THE chart to the left shows a comparison of FHA mortgages for the past five years covering only new homes to be built. During the first three months of 1942 this volume of financing exceeded that a year ago by a wide margin. Starting in April, however, the totals are much below the corresponding month of last year although in the last few months the gap has been getting smaller.

An analysis of these mortgages, particularly in the last three or four months would show that they are concentrated largely in a relatively small number of defense areas and that in a large part of the United States new residential building has practically stopped.

In our opinion, mortgage volume will be off badly in 1943, with intense competition for such business as is available. Portfolios will be raided and much refinancing will be done. Competition will not be limited to interest rates but will use inflated appraisals to increase the size of the loan.

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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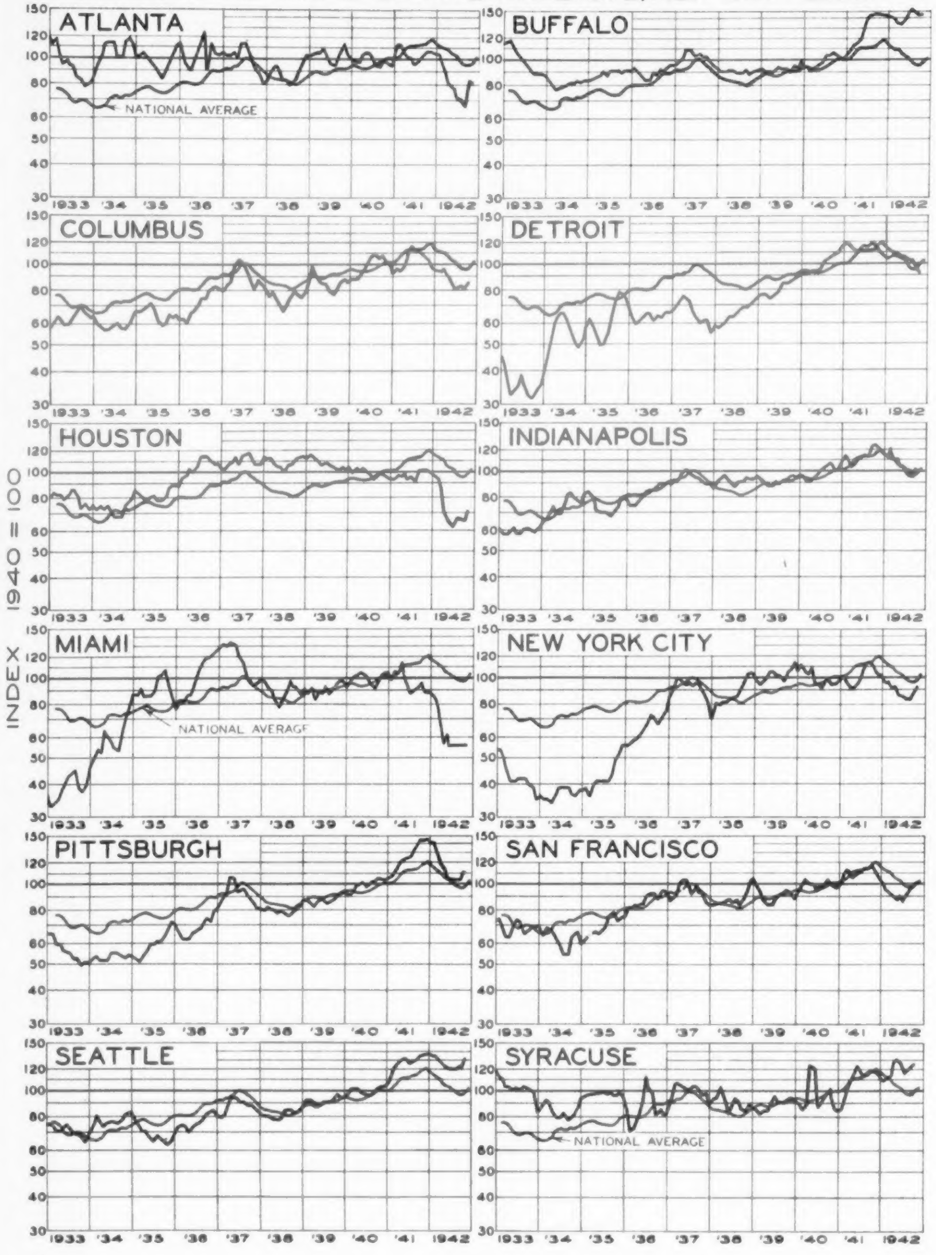

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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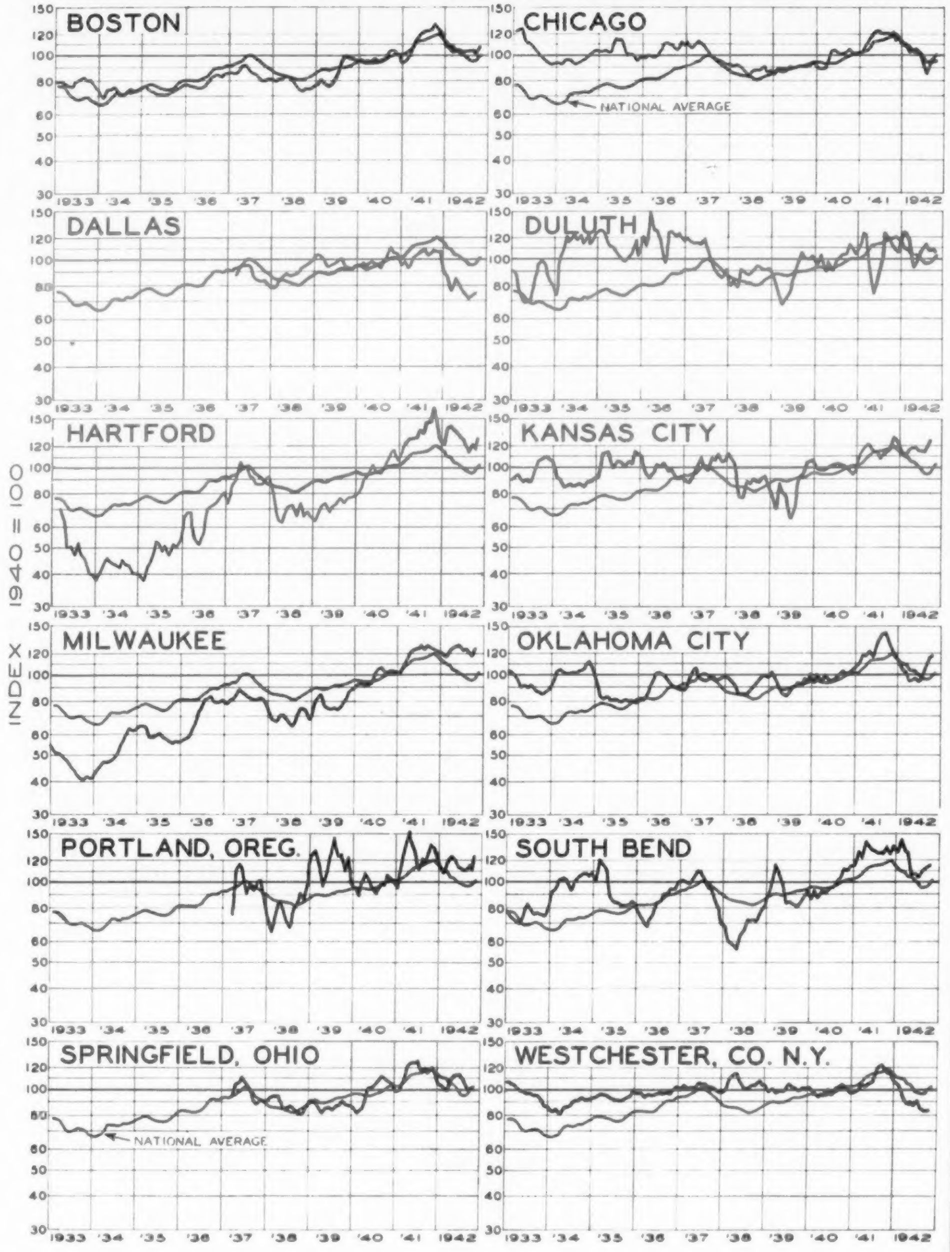
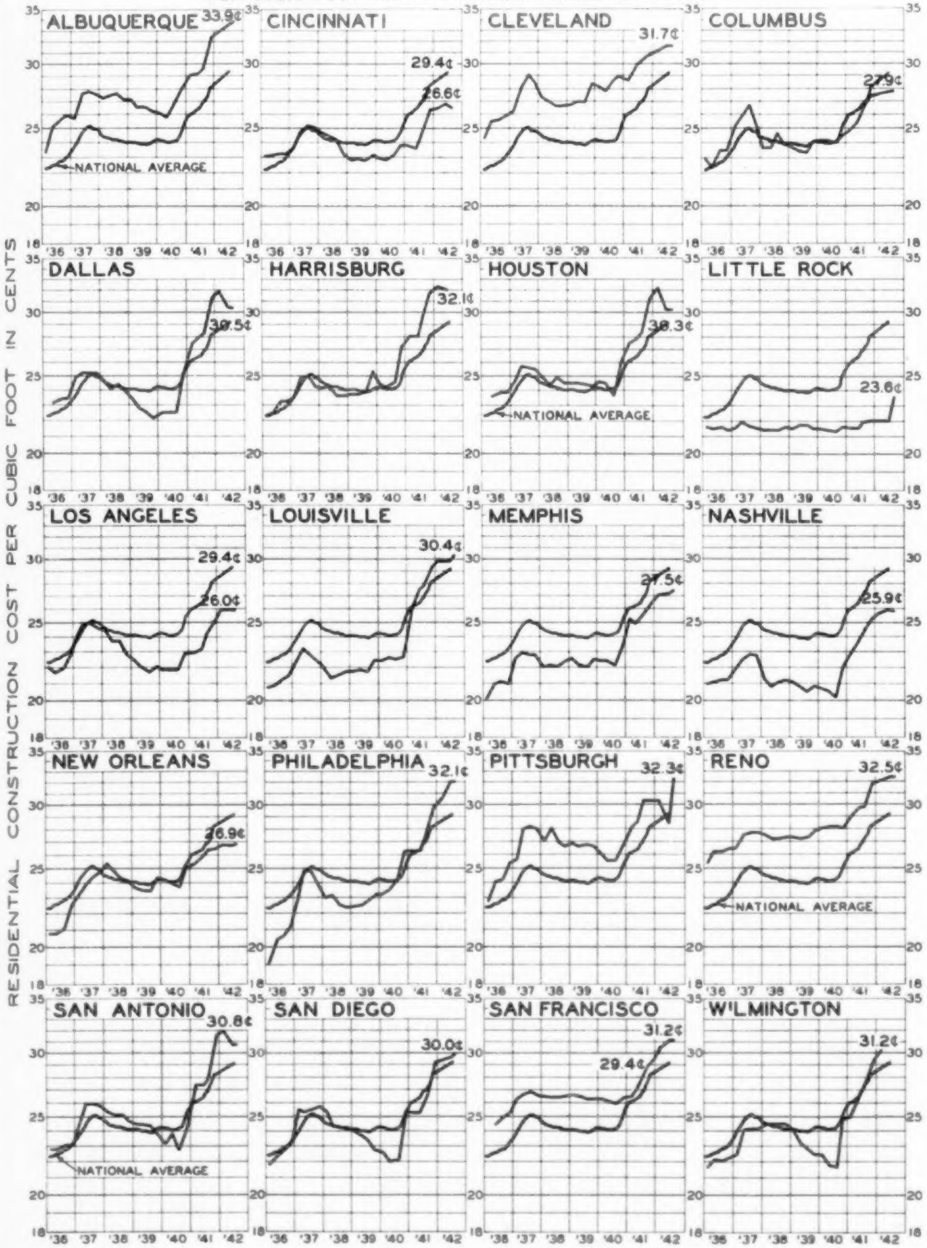


RESIDENTIAL CONSTRUCTION COSTS
PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE



RESIDENTIAL CONSTRUCTION COSTS
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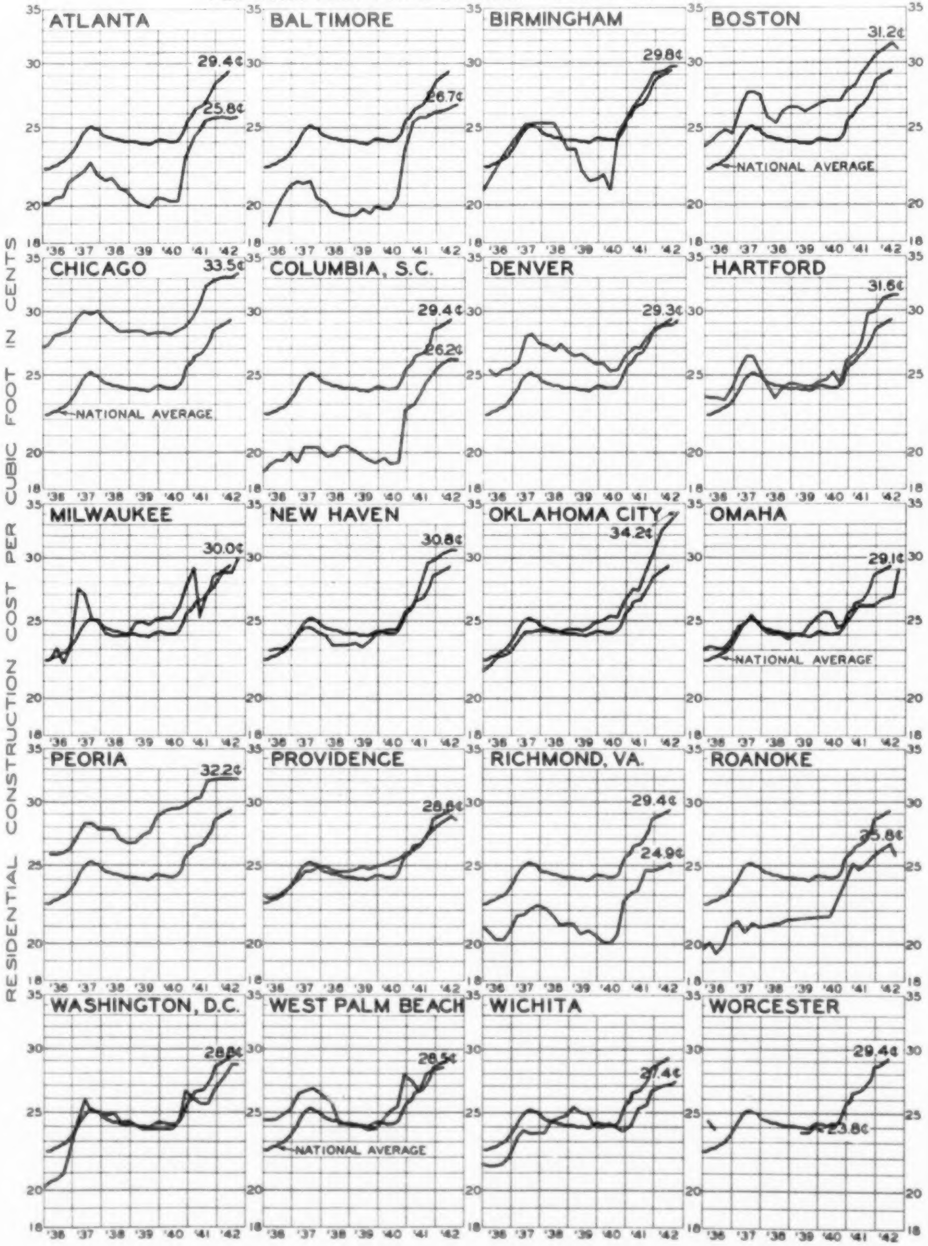
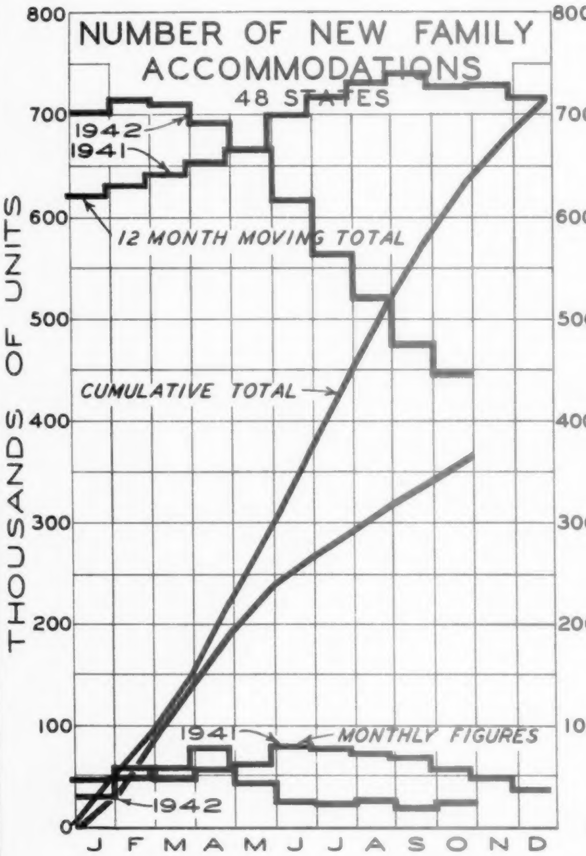




DWELLING UNITS CONSTRUCTED IN 48 STATES
(in thousands of units)

	Monthly			Cumulative			12 Month Moving Total		
	1940	1941	1942	1940	1941	1942	1940	1941	1942
January	25.7	43.8	32.2	25.7	43.8	32.2	511.0	620.7	703.6
February	36.9	45.6	59.2	62.6	89.4	91.4	515.4	629.4	717.2
March	46.0	55.7	49.2	108.6	145.1	140.6	519.7	639.1	710.7
April	62.9	75.6	58.4	171.5	220.7	199.0	535.5	651.8	693.5
May	57.0	69.3	44.7	228.5	290.0	243.7	535.7	664.1	668.9
June	44.4	78.2	27.2	272.9	368.2	270.9	534.0	697.9	617.9
July	57.5	75.6	24.0	330.4	443.8	294.9	547.2	716.0	566.3
August	55.7	69.7	26.7	386.1	513.5	321.6	550.6	730.0	523.3
September	58.4	66.1	22.2	444.5	579.6	343.8	570.3	737.7	479.4
October	66.2	55.2	25.1	510.7	634.8	368.9	600.1	726.7	449.3
November	44.9	46.4		555.6	681.2		601.5	728.2	
December	47.0	34.0		602.6	715.2		602.6	715.2	

THE number of new family accommodations built in all non-farm communities of the 48 states and the District of Columbia is shown in the table above and on the chart to the left. Cumulative totals and twelve month moving totals for 1942 (blue) and 1941 (red) are given. All figures have been revised since June.

Wholesale building material prices as compiled by the Bureau of Labor Statistics are charted by weeks on the chart below. There has been very little change in this level since May 1942, although shortages have been acute.

REAL ESTATE ANALYSTS INC.

VOLUME XI

NOVEMBER 30
1942

As I see

THE LIMITATION ON SALES

ON October 19, 1942, Leon Henderson issued Amendment No. 7 to the maximum rent regulations for housing accommodations other than hotels and rooming houses, which became effective on October 20. This amendment provides that a purchaser cannot evict a tenant from the property he has purchased unless he has paid one-third or more down on the purchase price, and then only three months after he has received a certificate from the Administrator. As some interval of time will elapse between the time that the purchaser files his petition with the Administrator and the time that the certificate is issued, the three months' waiting period may well extend into four months or longer. The amendment further provides that in cases where the seller "has a substantial necessity requiring the sale and where a reasonable sale or disposition of the accommodations could not be made without removal or eviction of the tenant," or if the Administrator finds that other special hardship would result, he may issue a certificate without requiring the one-third down payment; and this certificate will enable the seller or purchaser to dispossess the tenant in accordance with the time limit and other conditions of the local law.

At the annual convention of the National Association of Real Estate Boards held in St. Louis two weeks ago Paul Porter, Deputy Administrator for Rent Control, spoke on the program. There was no other discussion during the convention which aroused so much interest, opposition and resentment as this discussion on the limitation of sales. I listened to the arguments which Mr. Porter presented for the drastic course the Price Administration had taken, and I listened to the arguments from the floor. I left the meeting unconvinced that the harsh measures provided for by this amendment were either necessary or advisable.

The reason given for this very drastic limitation in sales was that landlords were negotiating phony sales to circumvent rent control. It was stated that in many cases the tenant expected no deed and never thought for an instant that he would eventually possess the property, but that the sale took place merely to give possession to a tenant at a higher cost than the rent ceiling would allow.

There can be no question of the fact that throughout the entire United States some landlords did attempt, through sales on small down payments, to secure a larger income from their property than the rent ceiling would allow in their territory. It would be quite strange if this had not been true. That this was the exception rather than the rule is shown rather conclusively by looking over the transfer figures in the various cities in the United States.

I have just done this, city by city, to see what they might indicate regarding an epidemic of sales. I can find no indication of such an epidemic. Our real estate activity index for October is 6.2% above the long-term normal. While this is higher than it was three months ago, it is quite low in comparison with its level of October 1941, when the index was 23.6% above normal. It must be remembered that in the last few months income payments have risen rather rapidly at the same time that many usual opportunities for spending have disappeared. It would be only natural to expect many persons to turn legitimately to real estate investments in a period of this sort.

I have found five cities in which the number of sales in October 1942 exceeded the number in October 1941, but peculiarly none of these cities were cities which are generally thought of as critical cities from the standpoint of defense housing.

In circulating among the real estate men at this convention I found no unwillingness to make sacrifices for the war effort. I am rather firmly convinced that the entire business public in the United States is willing to undergo any hardship which may be necessary to win the war, even to the dissolving of their businesses if that becomes necessary. Many of these businessmen are the parents of boys in the armed forces throughout the world, and they realize the necessity of furnishing them the best of equipment as rapidly as it can be produced. On the other hand, it is characteristic of Americans to resent bureaucratic decisions affecting their habits and their business where they consider these decisions arbitrary and unnecessary.

There can be no question of the fact that the adoption of Amendment 7 will prevent the circumventing of rent ceilings by the sales of property. Drastic measures generally succeed in stopping the particular abuse for which they are designed, but they quite frequently bring in their wake other effects as serious and as disturbing as the ones they have cured.

A large mail order house using hundreds of thousands of dollars of postage a year might find, as many of them have, that a considerable amount of petty theft occurred from its stamp account. There can be no question that this petty theft could be stopped immediately and with no chance of circumvention if the mail order house decided to discontinue all direct mail advertising. Of course, the application of this cure would mean that the business of this company would dwindle toward eventual bankruptcy; but if the sole emphasis in curing a patient is put on a single aspect of the disease a cure can be considered successful if it corrects this aspect, even though it kills the patient. The mail order house could have stopped the petty theft by the installation of a postage meter without imperiling its business. In my opinion rent control can be enforced in the United States without freezing for the duration the ownership of all real property.

It seems to me that any limitation on the purchase of capital assets during the war will increase the danger of inflation getting out of bounds. During 1943 the consuming public in the United States will receive an income more than $40 billion above their taxes, bond purchases, and the total value at present prices of all goods and services which will be available for purchase in 1943. This $40 billion or more is what economists would refer to as the inflation gap. It must be siphoned off if the pressure on inflation is to be lessened. Undoubtedly a portion of it can be recaptured by raising taxes still higher, and this will probably be done. A small part of the remainder

can be recaptured by the Government through additional pressure on war savings bonds. It seems to me, however, that one way in which a part of this could be put to a non-inflationary use would be by the liquidation of owned real estate by various mortgage and financial institutions, as the money paid these institutions would not be used in an attempt to buy consumer goods. In fact, it seems to me that most money received by sellers of real estate in 1943 would not be used to bid up consumer goods, as in most cases the owners of real estate are investment-minded. If they sell real estate, they will probably buy some other type of long-term investment. Every dollar diverted from the attempt to buy the very limited amount of consumer goods will help to limit inflation to a reasonable limit.

As I see it, if Amendment No. 7 is to remain in force it should be modified in at least five ways:

1. A down payment of 33 1/3% is excessive. During the past fifty years relatively little residential property has been sold with this large a down payment. Prior to the period of the FHA down payments were small, with the balance financed by a first, a second and, in some cases, a third mortgage. Since the advent of the FHA down payments of 10% and 20% have been the general rule. If these rates seem reasonable to a Government agency which is guaranteeing the payment of the mortgage, what excuse can be found for raising the down payment to 33 1/3% other than an outright desire to prevent the sale of real estate?

2. It seems to me that the amendment should be limited to residential property of the single-family type only. The purchaser of a multi-family building often finds it advisable to move into one of the apartments himself in order to manage the property. The number of tenants displaced in multi-family buildings through the sale of the property would be a negligible item.

3. I think the amendment should apply to property selling for $8,000 or less since its avowed purpose is to protect defense workers. The average defense worker cannot afford to live in a house costing more than $8,000 unless he is an executive generally able to hold his own and protect his own interest in any deal he might consummate.

4. The period necessary for eviction as stated by the amendment is three months from the time that the certificate is issued by the rent administrator. This means that the period will always be more than three months and that an arbitrary or inefficient rent control officer might drag the period out indefinitely. In my opinion sixty days would be a period fairer to both the landlord and the tenant.

5. The period required for eviction should date from the filing of the proof of sale with the Administrator and not from the issuance of the certificate. This would remove from bureaucratic control the determination of the length of the period. Delays in making adjustments have always been one of the favorite weapons of bureaucratic groups.

The drastic nature of Amendment No. 7 has caused many real estate operators to throw up their hands in despair without realizing that there is a rather wide field in which real estate sales are possible on exactly the same basis on which they have been made in the past. It must be emphasized again and again that Amendment No. 7 has no bearing whatever on any sale of real es-

tate where it is not necessary to seek an eviction notice for the present tenant. Real estate can be sold as freely as it has been in the past, with a 10% down payment, with a 20% down payment, or even with no down payment at all. It can be sold on contract.

Practically all types of investment properties are ones in which it will not be necessary to secure eviction notices, and therefore this type of property is without any restriction under the amendment. Even in the field of single-family residences all single-family residences occupied by the owners can be sold by these owners without any limitation on the sale. In the United States, according to the 1940 Census, there are 15,196,188 owner-occupied homes, 43.6% of all homes in the country. In the various metropolitan districts of the United States 37.3% of the families owned their own homes, with 52.9% of the families owning their own homes in the suburbs of our larger cities, where the most rapid turnover of property occurs.

In addition to the ability to sell all of these owner-occupied buildings without restriction, there is no restriction in selling a home to the tenant who now occupies it. Here again the home can be sold on contract or with any down payment which seems advisable.

I sincerely hope that Amendment No. 7 will be revised in a more reasonable fashion, but even though it remains in its present form there is still a wide field in which the real estate broker can continue to operate.

NOVEMBER 30
1942

EXECUTIVE DIGEST

OF THE CURRENT REAL ESTATE ANALYST REPORTS

REAL ESTATE ANALYSTS, INC.
Real Estate Economists, Appraisers and Counselors

Roy Wenzlick
Editor

VOLUME XI

REAL ESTATE ACTIVITY

The real estate activity index for the last few months has been revised on the basis of information received too late for its current publication. This revision is quite cheering as it shows real estate activity still above the normal line and 6.2% above in October. Of course, in comparison with a year ago in October, when real estate activity was 23.6% above normal, this figure does not look so good, but in view of the war and rent control it is better than we expected. We will be surprised if the November and December figures are so good.

REAL ESTATE MORTGAGES

Real estate mortgage activity in the principal cities of the United States has shown relatively little change during 1942. It will be noticed on the chart that the movement has generally been sideways, with a slight dip during the summer and a slight recovery during the fall months. These figures are adjusted for seasonal fluctuation, so that this dip does not represent a seasonal pattern.

NEW DWELLING UNITS

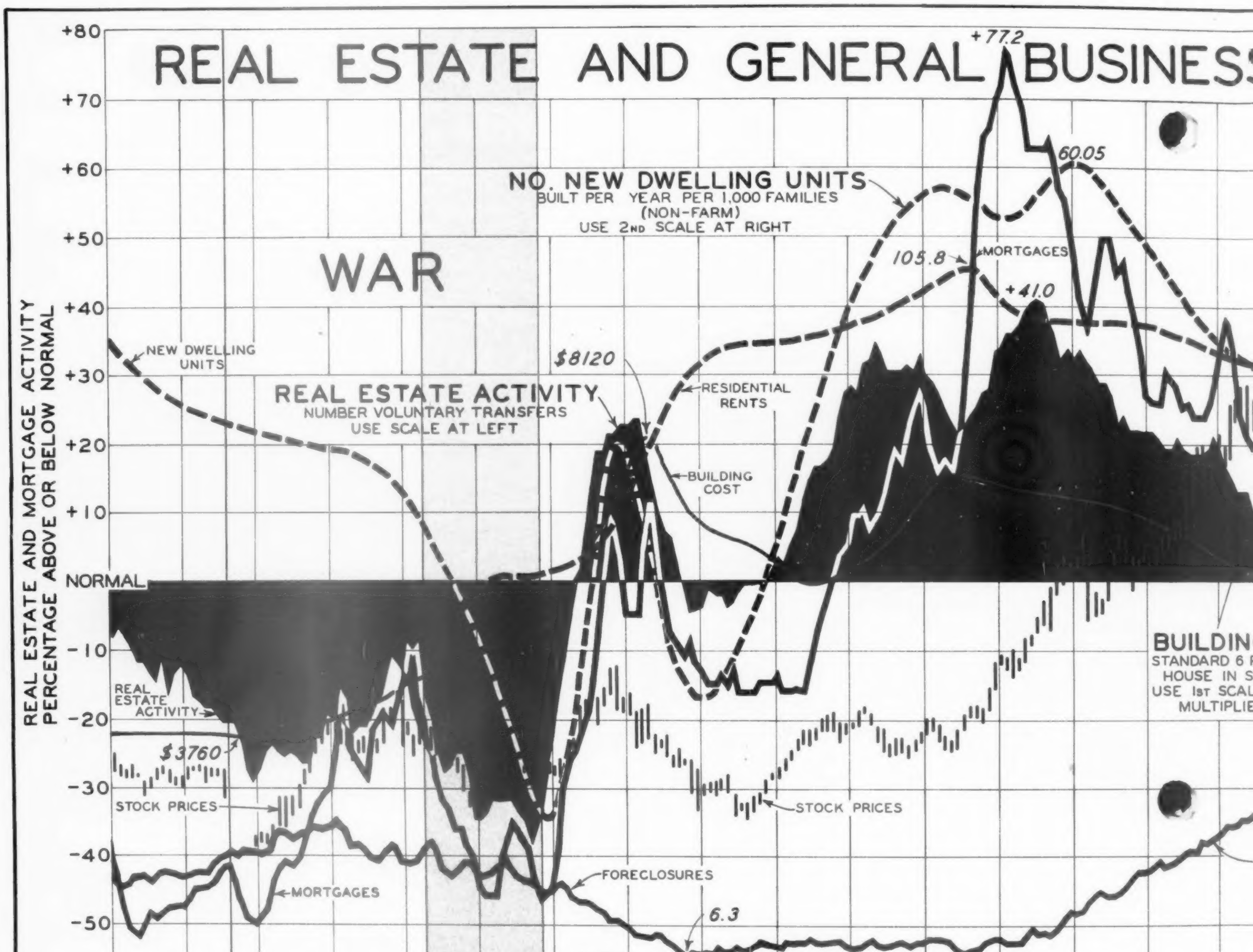
After a very rapid shrinkage in new building in the first part of the year the new building volume now is moving sideways. However, practically all of this building is in a relatively small number of critical war areas with building negligible in the greater part of the United States. The shortages of critical materials will become more acute during the next three or four months, with a possibility, although it is not great, that some of the critical materials will be slightly more plentiful by next summer.

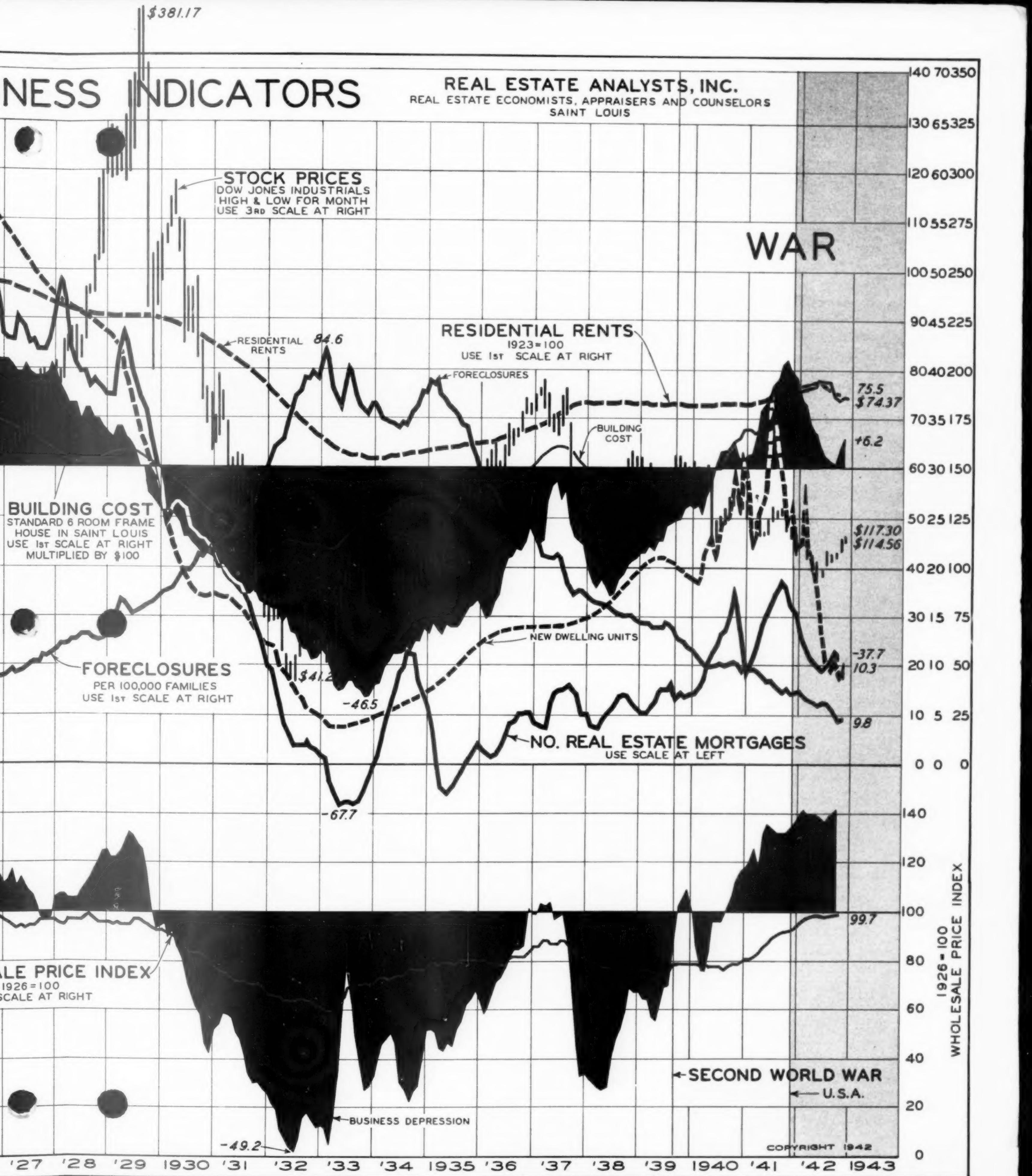
BUILDING COSTS

The cost of building the typical six-room frame residence in St. Louis in October was $7445; in November this had declined to $7437. This should be contrasted with the peak of $7772 in May and the low point of $4482 in 1932.

BUSINESS ACTIVITY

General business activity has not changed greatly during 1942. During the entire year most manufacturing business which could be converted to war purposes has operated to capacity, and the increases in war production have offset the shrinkage in the production of consumer goods. There will be apparently little change in this index until a decided change comes in the war outlook. It now seems that the war in Europe has a possibility of reaching a conclusion a year or so before any possibility of conclusion in the Pacific. This will make it possible to taper off war production and increase the pro-


REAL ESTATE AND GENERAL BUSINESS
+77.2
60.05
NO. NEW DWELLING UNITS
BUILT PER YEAR PER 1,000 FAMILIES
(NON-FARM)
USE 2ND SCALE AT RIGHT
WAR
105.8
MORTGAGES
+41.0
NEW DWELLING UNITS
$8120
RESIDENTIAL RENTS
REAL ESTATE ACTIVITY
NUMBER VOLUNTARY TRANSFERS
USE SCALE AT LEFT
BUILDING COST
NORMAL
REAL ESTATE ACTIVITY
$3760
STOCK PRICES
STOCK PRICES
MORTGAGES
FORECLOSURES
6.3
REAL ESTATE AND MORTGAGE ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
167.0
WHOLESALE PRICES
+18.1
BUSINESS BOOM
GENERAL BUSINESS ACTIVITY
CLEVELAND TRUST CO.
USE SCALE AT LEFT
NORMAL
WHOLESALE PRIC
1926=100
USE SCALE AT RIG
BUSINESS ACTIVITY
PERCENTAGE ABOVE OR BELOW NORMAL
FIRST WORLD WAR
U.S.A.
1913 '14 '15 '16 '17 '18 '19 1920 '21 '22 '23 '24 1925 '26 '27



$381.17
NESS INDICATORS
REAL ESTATE ANALYSTS, INC.
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS
SAINT LOUIS
STOCK PRICES
DOW JONES INDUSTRIALS
HIGH & LOW FOR MONTH
USE 3RD SCALE AT RIGHT
WAR
RESIDENTIAL RENTS
84.6
RESIDENTIAL RENTS
1923=100
USE 1ST SCALE AT RIGHT
FORECLOSURES
BUILDING COST
75.5
$74.37
+6.2
BUILDING COST
STANDARD 6 ROOM FRAME
HOUSE IN SAINT LOUIS
USE 1ST SCALE AT RIGHT
MULTIPLIED BY $100
$117.30
$114.56
FORECLOSURES
PER 100,000 FAMILIES
USE 1ST SCALE AT RIGHT
$41.2
-46.5
NEW DWELLING UNITS
-37.7
10.3
9.8
NO. REAL ESTATE MORTGAGES
USE SCALE AT LEFT
-67.7
99.7
ALE PRICE INDEX
1926=100
SCALE AT RIGHT
BUSINESS DEPRESSION
-49.2
SECOND WORLD WAR
U.S.A.
COPYRIGHT 1942
'27 '28 '29 1930 '31 '32 '33 '34 1935 '36 '37 '38 '39 1940 '41 '42 1943
140 70 350
130 65 325
120 60 300
110 55 275
100 50 250
90 45 225
80 40 200
70 35 175
60 30 150
50 25 125
40 20 100
30 15 75
20 10 50
10 5 25
0 0 0
140
120
100
80
60
40
20
0
1926=100
WHOLESALE PRICE INDEX

duction of consumer goods as soon as the European war is ended, making the transition period from war activity back to peace activity less painful than it would otherwise be.

STOCK PRICES

The average prices of stocks have shown some advancement since last spring, but it might be noticed that the average price as shown on the chart is below the same season of the year for any year since 1934.

FORECLOSURES

Our foreclosure index on a national basis has dropped still further, hitting the lowest point since 1925. Most of the distress property still remaining is concentrated in a few eastern states. In New York City a large overhang still exists and will exist for some time longer.

RESIDENTIAL RENTS

The national index of residential rents shows no change during this last month. This would indicate that most of the adjustments due to the "roll back" on freezing dates have now taken place. There will be relatively little change in this index during the next year.

WHOLESALE PRICES

Wholesale prices have shown relatively little change during the past six months. Price control provisions are apparently succeeding in delaying rises, which would otherwise be quite sharp at the present time. The real test of price control, however, will not come until the shortage of consumer goods becomes more acute, which should happen some time early in 1943. Then, too, it should be kept in mind that many of the price quotations which go into the price index have lost their value as the articles they cover cannot be secured except by the Government for war purposes.